

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Review, Revise, and
Consider Alternatives to the Power Charge Indifference
Adjustment.

R.17-06-026

**INFORMAL COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS
AND THE DIRECT ACCESS CUSTOMER COALITION ON PCIA WORKING GROUP
#1 STRAW PROPOSAL (WORKSHOP #2)**

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The Alliance for Retail Energy Markets and Direct Access Customer Coalition (AReM/DACC) appreciate the effort that was clearly made by PG&E and CalCCA and the other parties in this proceeding in refining the Straw Proposal initially presented at the March 1 workshop. AReM/DACC also welcome the opportunity to respond to the updated Straw Proposal presented at the March 27 Workshop and look forward to working through the remaining issues in the upcoming workshops. We continue to be optimistic that the parties will be able to come to consensus on many of the thorny issues that have been so well laid out.

I. COMMENTS ON THE REPORTING TEMPLATE AND PROTOCOLS

The updated straw proposal suggests that all load serving entities (LSEs) under CPUC jurisdiction submit completed Resource Adequacy (RA) and renewable portfolio standard (RPS) templates to the Energy Division (ED) on a quarterly basis (Presentation page 9). This differs from the original straw proposal, which suggested annual reporting in October of each year. AReM/DACC strongly prefer the annual reporting requirement. Reporting quarterly—on top of all the other reporting requirements—is burdensome. AReM/DACC acknowledge that the compilation of the data and the calculation of the respective benchmarks is significant task,

however, through the use of well-designed templates and clear reporting instructions, AReM/DACC believe that one month should be sufficient for Energy Division to complete the task. We believe that the changes to the templates being proposed by this Working Group will make data compilation much easier and urge the Commission to focus on improving data inputs, not increasing the timing of inputs.

With respect to template design, AReM/DACC suggest the following. First, AReM/DACC applaud the recommendation to utilize drop-down menus and other similar template features to streamline the reporting and ensure that the reports are consistent across all LSEs. Doing this should minimize the time and effort required of Energy Division (ED) staff to compile the data and develop the benchmarks.

Second, AReM/DACC reiterate their recommendation to include contract price reporting for RA and RPS purchases only and exclude contract price reporting for RA and RPS sales, except when the sales data is from contracts pursuant to which an LSE under CPUC jurisdiction sells products to a non-CPUC jurisdictional entity, such as a municipal utility or irrigation district. This recommendation, too, should assist ED staff in calculating the benchmarks in a timely fashion.

Third, AReM/DACC note that the sample RA template (presentation page 23) did not appear to provide for reporting the MW of local RA under contract, only the local area. A row should be added for Local MW, similar to what is done for System and Flex RA.

Fourth, under “Volumes” for the RPS template, staff should clarify that forecasted volumes are what is desired to reflect the actual delivery expected from the contract. “Contracted” volumes could be very different than what is actually delivered if it only reflects an absolute minimum that the project will provide, and thus could skew the input basis for this contract.

II. COMMENTS ON USE OF BUNDLED CONTRACTS IN THE RPS BENCHMARK

In the informal comments to the opening workshop, AReM/DACC noted additional effort is needed to explore if, and how, to include bundled contracts (i.e., contracts which specify a single price even though they contract provides for energy plus RA and/or RPS) when estimating RA and RPS adders.¹ In that spirit, AReM/DACC appreciates TURN's effort to suggest a way to include the use of contracts in which energy plus RA and/or RPS is included in a single energy price. However, AReM/DACC is concerned that the TURN's straw suggestion does more to illustrate the challenges of including long-term single-price contracts than it does solve those challenges. As AReM/DACC understands, the TURN suggestion would value single-price long-term energy+RPS contracts in an IOU's Total Portfolio using a new Market Price Benchmark based on newly-entered into single price energy+RPS contracts. The advantage of this would be the elimination of the need to back out an implicit value of one element of the contract (generally assumed to be RPS) by setting the value of the other element(s) of the contract (generally assumed to be energy and perhaps RA).

However, this does not solve the other issues in inferring an RPS value, and even introduces the equally thorny issues. A few of the remaining challenges include:

- How might the protocol address the time delay between signing a PPA (which would reflect the expected prices when the contract begins delivery) and when it actually begins delivery?
- For this approach to work, LSEs would need to report their bundled contracts by technology type because the implicit energy value is significantly different among the technology types. That is, a single-price contract using wind technology should

¹ Informal Comments of The Alliance for Retail Energy Markets and the Direct Access Customer Coalition on PCIA Working Group #1 Straw Proposal (Workshop #1), page 2.

not be used to benchmark a single-price contract using solar, let alone geothermal or small hydro. Different renewable generation technologies have such different energy delivery profiles, such that the “implicit” energy values in the contracts could be very different. Unless the reporting and creation of the benchmark is technology specific, the benchmark ends up with apples-to-oranges comparisons, which defeats the purpose of the “bundled-price” benchmark.

- Once the benchmarks are established for each technology type, the IOU Total Portfolio would need to be broken down into volumes that are coming from bundled contracts by technology type so that the bundled benchmarks could be applied appropriately.
- Then if the bundled contract includes both RA and RPS, there would need to be separate reporting of the bundled price by technology type for those contracts, and similar disaggregation of the IOUs Total Portfolio.
- Finally, it is not clear that the TURN suggestion comports with D.18-10-019 in that it creates multiple new benchmarks, while D.18-10-019 only specifies the creation of RA and RPS adders.

Theoretically, the only way to properly back out the RPS value from a single-price contract would be to gather actual, or forecast, hourly CAISO power prices, proxy hourly power delivery profiles for the renewable resource that each project represents, the amount and timing of the NQC that the project provides, and the RA price/type for that resource. If the CPUC and Energy Division does not have the appetite for conducting this type of calculation on an annual basis for multiple contracts so as to include them in the benchmark, then some simplification, such as that proposed by the Working Group #1 Chairs, must be found.

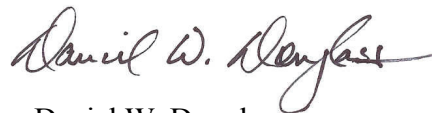
III. COMMENTS ON PROPOSED RA BENCHMARK CHANGES

First, AReM/DACC note the updated straw proposal's explicit differentiation of the three types of RA (local, flex and system). AReM/DACC find the proposed treatment—system and flex RA adders based on state-wide data and identical for the three IOUs and local based on TAC area—to be appropriate. Second, AReM/DACC appreciate the updated straw proposal addressing how the multi-year local RA contracting requirement can be integrated into the local RA market price benchmark adder. The proposal laid out on slides 14 and 15 appears to address the multi-year forward issue, although because it would base the local RA benchmark on data beyond year “n+1”, a petition to modify Decision 18-10-019 may be needed.

IV. CONCLUSION

AReM/DACC thank the Working Group co-chairs for their hard work and look forward to working through these and undoubtedly other issues.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Daniel W. Douglass", written in a cursive style.

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